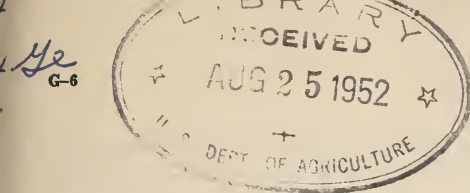


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## UNITED STATES DEPARTMENT OF AGRICULTURE

## AGRICULTURAL ADJUSTMENT ADMINISTRATION

WASHINGTON, D.C.

## RECOVERY FROM THE GRASS ROOTS

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In Collaboration With Alfred D. Stedman

[NOTE.—This article was written by Mr. Peek in collaboration with Mr. Stedman for the Saturday Evening Post and was published Jan. 13, 1934. The Curtis Publishing Co. has given special permission to the Agricultural Adjustment Administration to publish it in this form. It appears here as it was published in the Saturday Evening Post.]

**F**ROM the beginnings of the Federal Farm Board to the establishment of the Agricultural Adjustment Administration, four years elapsed. Measured in time, that was a short period. But it was a whole epoch, gauged by the difference in approach to the problems of agriculture.

Before recording the aims, achievements and shortcomings of the Roosevelt Administration's farm-recovery plans, it is interesting to turn back the pages over those four years to the early days of the Hoover Administration's Farm Board.

Four years ago last summer, on June 15, 1929, the Agricultural Marketing Act created the Federal Farm Board, with its \$500,000,000 revolving fund to finance the coöperative marketing of farm products. Why was it that the Agricultural Adjustment Act on May 12, 1933, swept the Farm Board into the discard and launched the new, broad program which is being directed by the Agricultural Adjustment Administration?

Even before the Farm Board's experiment had got under way, back in 1929, there were some who sensed the answer. Among these were the editors of The Saturday Evening Post.

Weeks before the board swung into action, The Post, on July 27, 1929, editorially measured its prospects with the following comment:

It will be necessary for the Farm Board—in fact, crucially necessary in the case of many commodities—not merely to merchandise the crop in the manner most advantageous to producers but also to influence producers to turn out crops in such volume and of such quality as will give the best returns to the class. . . As much and probably more depends on the farmers being guided in their production.

Those who remember the Farm Board's four years, and wonder why the Agricultural Adjustment Administration is its successor, will find much of the answer in those words.

"Surplus", wrote Garet Garrett in the Saturday Evening Post on June 21, 1930, "is the millstone, the price breaker, the evil measure. Agriculture has never been able to control the surplus, for the simple reason that it has never been able to rationalize production. Well, neither is the law able to touch production. The Federal Farm Board . . . cannot act upon production . . . save by exhortation."

The Agricultural Marketing Act proposed to stabilize prices. It recognized the existence of the surplus, but it made no adequate provision for disposal of the surplus abroad, nor for its prevention at home. The weakness in the Farm Board's approach to the problems of agriculture, detected by these commentators and others before the board got under way, proved fatal. The board's attempts to sustain high farm prices, piling up surpluses at home while leaving production uncontrolled, led to disaster. The surplus not only broke the Farm Board. It practically broke the farmer too.

It is doubtful if the Saturday Evening Post or Mr. Garrett could have foreseen the condition today or as it has prevailed for several years, with the quotas and embargoes imposed against imports of our products. They were referring merely to our normal supply, moving normally in international trade. This present surplus, backing up in domestic channels, is without precedent, and it brought the gravest crisis in the history of American agriculture.

The Farm Board was abolished and the Agricultural Adjustment Administration took its place seven months ago. Since that time, heroic measures have been undertaken, under the powers given us by Congress and President Roosevelt. Of these, the most fundamental and the most promising is our attempt to help farmers control their production during the period when the markets of the world are closed to them. Among many differences between the Farm Board's course in 1929 and the program of the Agricultural Adjustment Administration now that difference is vital.

The Agricultural Adjustment Administration has power to help farmers face frankly and cope directly with the problem of the surplus. The Farm Board could not do that, either by compensating the farmer for reducing his production or by meeting competition in such foreign markets as were open.

One may measure the change from 1929 to 1933 by reading a single paragraph of the new law:

It is hereby declared the policy of Congress to establish and maintain such balance between production and consumption of agricultural commodities, and such marketing conditions therefor, as will reestablish prices at a level that will give agricultural commodities a purchasing power with respect to articles that farmers buy, equivalent to the purchasing power of agricultural commodities of the base period. (Base period defined as 1909 to 1914 for each of the seven basic commodities except tobacco.)

That is the section of the new law which distinguished it most clearly from all previous legislation. The Agricultural Marketing Act of 1929 recognized the need for such a balance between production and market demand, but it provided no adequate method to bring about this balance. The present law does. Those who are interested in the farmer and in agriculture's part in economic recovery should keep the distinction constantly in mind.

The chronic surplus of farm products, which has existed for twelve years, has had a whole train of evil results. No one in the nation should be blind to them now.

From 1921 to 1929, industry, buying cheap from farmers, sold dear to them. Industrial prices and profits in general held up. Buying power that should have stayed with the farmers became concentrated in the great money centers. It went abroad and was lost in huge amounts. It fostered booms in city and resort real estate. It bought chips for the stock-market gambling orgy.

Overproduction in agriculture did not permanently benefit the consumer, though it has made farm products available to him at very low prices. In the end, it reduced his buying power even more than it reduced the prices of what he needed to buy.

The depression crept eastward to the industrial centers out of the agricultural West and South. Like every other great nation, the United States found that its economic condition was closely linked with the welfare of the farming population.

By March, 1933, agriculture's purchasing power had vanished. Gross farm income had fallen from a war-time high of \$16,935,000,000 in 1919, and a 1924-1929 average of about \$12,000,000,000, down to \$5,250,000,000 in 1932. Many farm prices were down to the lowest levels ever recorded. With their incomes reduced, millions of farmers were pushed into bankruptcy by the deadly combination of low prices and high debts. Loss of many farms through foreclosure was a tragic result of the collapse of the commodity markets.

Who, indeed, was immune from the consequences of farm-price declines under the weight of these unmarketable surpluses? Farmers were obliged to cease buying the goods of mills and factories. Workmen lost their jobs. Investors lost their money. Business activity declined. Banks closed. The machinery of distribution and exchange broke down. Farm products accumulated in the hands of unorganized farmers and dealers, or were sold at ruinous prices. Organized industry withheld its products from market, while consumers did not have the money to buy at the prices asked. There was too much of everything, and, strangely, too little. Paradoxically, overabundance on the farm led to scarcity for city dwellers. The surplus actually lengthened the bread lines.

One could go back a long way in talking about farm problems. I have watched American agriculture for many years. I have been proud of the farmers' successes, and have been concerned for their troubles. These things mean a good deal to me.

#### DEFEATED IN VICTORY

Back on the farm near Oregon, Illinois, when I was a boy, we had a neighbor named Mike Seyster, who cut his wheat with a reaper. We thought it was pretty fine for him to have a modern machine that was pulled by horses and cut the oats and wheat. But when I was ten, my father bought a self-binder which went Mike Seyster's reaper one better. Besides cutting and gathering the wheat, it did away with the back-breaking toil of tying bundles of grain by hand. With this binder, which bound the bundles with twine, we could harvest bigger fields in shorter time.



Farm machinery always fascinated me. Before Henry Wallace began his practical experiments in breeding better corn, I was selling plows, mowers, corn planters and other improved implements to the farmers. It was the spirit of the frontier, this urge to grow, to improve, to produce more, and to make the soil yield maximum service to man. Better machinery, finer breeds of grain and animals, rust-proof and drought-resistant wheat brought a great technical evolution of agriculture.

The American farmer increased his efficiency to such a degree that he could and did produce two to five times as much per man as similar workers in the older European countries not so well adapted to large-scale methods. But while agriculture fought and won great battles to increase its productivity, and while by this means the national wealth was enormously enriched, the farmer was defeated almost in the midst of these victories. If the problems of agriculture could have been solved merely by use of improved farm machinery, or by breeding richer-yielding corn and wheat, neither Henry Wallace nor I would be in Washington today, transferring our efforts from the land to governmental arenas. But instead of maintaining its economic security, agriculture was impoverished at the zenith of its producing power. Farmers, by the force of events, were deprived of the fruits of their ingenuity and their toil. Not from choice, but from necessity, they have turned to their Government for leadership and help, and it is the duty of Government to intervene on behalf of any great group unable to help itself.

Mastery of the art of high production was an epic achievement, but productivity, uncontrolled, swept away most of the reward. The farmer's efficiency grew, but his income dwindled. Agriculture's share of the national income was 17 percent in 1909, and only 9 percent in 1928.

#### RUNAWAY PRODUCTIVITY

This runaway productivity, with the practical closing of foreign markets, was the root cause of the farm depression. It began with the immense war-time expansion of acreage by patriotic farmers responding to the appeal that food must win the war. Then occurred the cruel deflation of agricultural values, starting in 1920. American surpluses pressed upon waning European markets, which bought for a time with borrowed American money. Europe gradually resumed its farm production. The United States had changed from a debtor to a creditor nation. This country should have been prepared to accept larger quantities of industrial imports not only to pay \$1,000,000,000 owing us annually on private and war debt account but also to purchase from us such farm exports as cotton and wheat. But the policy of three successive administrations was to bar out imports with higher and higher industrial tariffs, culminating in the Smoot-Hawley Act. We had an abnormal proportion of the gold supply of the world and so we could not be paid in gold. The result was we could not be paid at all for most of our exports.

Agriculture, which in predepression years had derived about 18 percent of its total income from exports, as compared with industry, which had derived only about 5 percent, suffered most from this

domestic policy. Farm exports were throttled as foreign nations incased themselves in higher and higher tariff walls. The great Middle West grain and livestock area and the cotton South suffered severely from this tariff policy and the loss of farm export markets. There was a period in the '20's when, while we still had export markets, the Federal Government might have done something for agriculture with legislation merely making our tariff effective on surplus farm crops.

But Washington, bent upon high pressure promotion of the industrial export trade, then was deaf to the appeals of farmers. The farmers' legislation was twice approved by Congress and twice turned back at the White House. Due to executive hostility, the opportunity to help agriculture by this method was lost. Gradually, the situation went from bad to worse. Finally, the exportable surplus of farm products became unexportable. World consumption of American cotton declined 2,000,000 bales in 1930 as compared with 1928. Wheat exports, including flour, fell from an extreme high of 370,000,000 bushels from the 1920 crop to an extreme low for this generation of one-tenth that amount in 1932. Exports of hog products have declined nearly two-thirds from the wartime peak of the 1918-19 crop year.

#### SMOTHERED IN PLENTY

What could the farmers do about it? I will tell you what they could not do. They could not bring down production to fit their markets. Acting as individuals, they could only go on producing at a high rate to reduce their unit costs and try to meet fixed charges. That is what they did. More and more, they overshot their dwindling markets. Cotton plantings, for these and other reasons, grew from 31,700,000 acres in 1921 to 47,000,000 in 1929. Wheat farmers annually produced in excess of 800,000,000 bushels in seven of the past eight years. That is 200,000,000 bushels over domestic needs in time of either prosperity or depression. Hog farmers, like wheat farmers, maintained production as if they still had their export demand.

Agriculture's postwar years led straight up to the economic crash of 1929. Still the surpluses piled up. By the spring of 1933, there was reported an accumulated American wheat carry-over of more than 360,000,000 bushels. The world carry-over of American cotton totaled 13,000,000 bales, or one year's crop for this country. The number of hogs on farms was nearly as great as in the peak of production in the year of 1919. Dairy production was rising even above its recent record volume. With huge stores on hand, conditions among tobacco farmers were critical. Foreign markets were restricted, and the home-market demand could not absorb the total supply.

In March, 1933, farm prices sank to only half their prewar level in relationship with industrial prices. Then it was that Congress, under guidance of a President courageous enough to face facts and bold enough to assert his leadership, started on its way the Agricultural Adjustment Act with methods of meeting the problem of the surplus.

Those who framed the present law had the benefit of the experience of the Federal Farm Board. As Garett Garrett had warned,



the board's powers to influence production were confined to exhortation of the farmers. Only in the case of loans was the board ever able to go beyond the mere giving of advice.

The Farm Board did make extensive use of the hortatory method. But no individual farmer had any assurance that, if he followed the Farm Board's advice and cut his acreage, the mass of his fellow producers would do the same. Each farmer knew that if producers generally should voluntarily reduce, he would be free to increase his plantings and get the price benefit on his own larger crop resulting from the general reduction. Like every other attempt to control production by pure propaganda, the Farm Board's efforts fell short of substantial success.

The method which now has been provided by the Agricultural Adjustment Act is entirely different. Instead of merely advising farmers to reduce their acreage, the Agricultural Adjustment Administration pays them to reduce. Land so taken out of use may be built up by the planting of soil-building and erosion-preventing crops. The payments are based on a reasonable return to the farmer for land taken out of surplus crop production. They are carefully calculated to make it more profitable for the farmer to join in the program than to remain aloof from it. In this way, the interests of the individual farmer are identified with crop adjustments which are in the interests of the whole producing group. The farmer is compensated with a Government check for his cooperation.

The processing tax is the heart of the law, furnishing the continuing source of revenue which the farm organizations once sought in the equalization fee, and which was denied when a lump-sum appropriation only was voted the Farm Board in the Agricultural Marketing Act.

Agriculture can now begin to speak the language of centralized and controlled industry, which does not destroy prices by flooding markets with more goods than can be sold at fair values. Farmers have at least some hope of being rescued from the cutthroat competition of which, while they acted as individuals, they were victims. Of course, we in the Agricultural Adjustment Administration are conscious that production control must be approximate. We are aware of the factors of weather and pest, varying yields from year to year. But on the average, acreage is the dominant production factor, and it is subject to human control. We are out to attack the agricultural-surplus problems with the best methods that thus far have been devised. Naturally, each farmer will take his least productive fields out of the surplus crops. The submarginal areas will go back into grass or woodlots or other better uses. There is in the program no thought of instituting a permanent economy of scarcity. Agriculture will be just as free to expand as to contract. It can go either way as the circumstances warrant. If markets open up again for our exports, we shall be in position to take advantage of them.

#### THE FARMER'S MAGNA CHARTA

The Agricultural Adjustment Act is built upon the principle of price parity for farmers. Fair exchange value for farm products as measured by their buying power in the prewar period of normal



agricultural stability is now acknowledged as one of the rights of agriculture. Farm income should be placed beyond mere fluctuations in the money markets. This is the foundation principle of the act. It seeks for agriculture a normal income measured, not in money but in exchange value—in real human satisfactions. Because it has recognized this principle, the act may be justly termed a Magna Charta for the American farmer.

The interests of the consumer are, next to those of the farmer, safeguarded above all others in the new law. Our mandate is to strive to bring the farmer as large a share but no more of the consumer's dollar than he received in the prewar period of 1909 to 1914. The greatest benefit to the consumer, as I have shown, should come from revival of the agricultural purchasing power, reflecting itself in increased city employment. Considered from the standpoint of public policy, it is just as important to protect the consumer as to assist the farmer.

Setting up machinery as we went along, we have been forced to deal with a series of emergencies with different commodities in the order of their maturity. We have worked against the sun. Cotton was ripening in the far South before we could get the cotton-acreage-reduction campaign under way. Next came wheat, starting to market in June. By the time the wheat effort was well launched, riots were being reported in the flue-cured-tobacco belt while we negotiated with the big tobacco companies to solve the problem.

Then came the upheaval of the Farm Holiday strikers' movement in the Corn Belt, with demands from Midwest governors for outright price fixing, backed by compulsory Government regulation of production on every Corn Belt farm, in place of our voluntary acreage-control programs.

#### THE CORN BELT PROGRAM

We sympathized thoroughly with the objectives of the Corn Belt governors—namely, higher prices for farmers. But we could not assent to the drastic methods proposed. We felt that farmers themselves are not willing to submit to regimentation, and that even if undertaken in the Corn Belt, the plan might have the effect of drying up production in those states the governors most wanted to help, leaving other areas opposing governmental control to take advantage of curtailment in the Middle West. We determined to go ahead with our own program, which we believe will bring aid to the Corn Belt more effectively and more quickly than the rejected substitute proposals.

Working with 6,000,000 farmers takes time. The job is different from that of dealing with centralized industries, presided over by a few individuals. We have been unable to proceed as rapidly as we wished. We have made mistakes, and have set time limits too near to achieve even when working twelve to fifteen hours a day.

But in the first few months of the Roosevelt Administration, unprecedented undertakings for the recovery of agriculture have been planned, launched and carried forward. Further efforts are being set in motion every day.

The dramatic success of the cotton campaign is proof that, given the incentive and the leadership, farmers will coöperate in a planned reduction of their acreage. We paid 1,000,000 farmers \$110,000,000 to take 10,000,000 acres of growing cotton out of production. About \$48,000,000 more is to be paid growers who chose to take options on cotton to replace that which they had removed from production. The farmers of the South turned the roots of cotton up to the sky—cotton which, had it been allowed to mature, would have boosted this year's naturally bountiful crop by 4,000,000 bales, pushing the price down to ruinous levels. Government estimates are that with the price increases resulting to farmers, the income of the cotton growers, including the benefit payments, was increased more than \$300,000,000. We are going back into the Cotton Belt in 1934 with a program to reduce plantings from 40,000,000 to 25,000,000 acres, or sufficient to correct the present emergency oversupply.

This winter and spring we are distributing \$102,000,000 in benefit payments among wheat farmers, who have pledged a reduction of 7,600,000 acres in 1934. The increased cash income from this year's wheat crop we estimate to be nearly \$250,000,000, due to better prices on the short yield, the Administration's monetary policy and the benefit payments. These payments constitute more than 40 per cent of the entire gain.

Convinced that the whole agricultural region, and particularly the Middle West, has much to gain from resumption of world commerce and farm exports, the Administration took the lead in negotiating the World Wheat Agreement, which is designed gradually to disperse surpluses and reopen markets to trade in wheat.

The Agricultural Adjustment Administration has launched its combined corn-hog campaign, a \$350,000,000 undertaking and the biggest single effort in the whole program thus far. This includes the purchase during the next seven or eight months of 300,000,000 pounds of dressed pork, which will be taken out of regular trade channels by the Federal Surplus Relief Corporation and distributed among needy families by the Emergency Relief Administration. In addition, 100,000,000 pounds were furnished the Relief Administration from the emergency hog-buying campaign last August and September. These relief purchases serve a double purpose in reducing the excessive hog supply entering regular trade channels and in supplying food to the unemployed. Through a stabilization operation, with purchases through the Relief Administration, we maintained butter prices to farmers in the face of a threatened slump.

Provisions in the act authorizing the negotiation of marketing agreements among associations of producers, processors and distributors of farm products have been another means employed to raise farm prices.

#### WHAT THE AAA HAS ACCOMPLISHED

A series of mill-marketing agreements, negotiated in the face of difficulties ranging from racketeering to retail-price gouging and strikes, is netting producers for the fluid-milk markets substantial increases in incomes.

The marketing agreement with the big tobacco companies reopened the markets which had been closed by the governors of two of the

Southern States, ended strikes in the flue-cured-tobacco region, and caused a public meeting of acclaim where we formerly heard only denunciation. Growers of this type of tobacco will receive more than \$120,000,000 for this year's crop, compared with \$43,000,000 last year.

We have aided growers of peaches in California, tomatoes in New Jersey, apples in the Northwest, and rice in Arkansas, Louisiana and California.

The Agricultural Adjustment Administration is aided by, and in turn reënforces, the Government's other great recovery measures. The Farm Credit Administration has swung strongly into the work of reducing farm debt and refinancing farm mortgages. The Industrial Recovery Administration and the Public Works Administration, as they increase employment and add to the purchasing power of agriculture's city customers, are assisting the farmer.

In order to assist in the orderly marketing of crops and to ease the emergency, we have coöperated with the Commodity Credit Corporation in making loans on corn and cotton. The loans have been made only to farmers contracting to coöperate in acreage control plans. The money has gone and is going only to actual farmers.

One of the early acts of the Agricultural Adjustment Administration was the appointment of a consumers' counsel to watch over the interests of the consumer in all our plans. Specifically, the consumers' counsel has scrutinized prices raised to cover processing taxes, with a view to preventing, by full publicity, the pyramiding of taxes or gouging of consumers with the tax as an excuse. As the consumer learns that when transformed into taxes the cost of the cotton campaign represents only a nickel on a shirt, and his share in restoring the purchasing power of the wheat farmer through the wheat-processing tax is only half a cent on a loaf of bread, he is more than ever ready to support our program in the interests of agricultural and general recovery. I cannot praise too highly the attitude of consumers' organizations toward the farm-relief operation.

#### PROSPERITY IS ROOTED IN THE SOIL

So the Agricultural Adjustment Administration has forged ahead, helping the consumer on one hand, by aiding the farmer on the other. All the things I have related have been done in the short space of time since last May twelfth. One after another, the areas into which we have extended our farm-aid operations have been helped. As the purchasing power of farmers has been restored, it has spread upward through the whole economic structure of their communities, aiding business, banks and industry all along the line. First among farmers, then in towns and cities, and finally in whole states and regions, the economic aspect has been transformed. Prosperity, like depression, has proved to be rooted in the soil.

Bold use of the powers conferred under our act has encountered difficulties. We have alarmed some people with our speed, disappointed others with our slowness, and have struck the fire of opposition.

Some business interests considering themselves to have a vested right in uncontrolled volume production of agricultural products



have been critical of our efforts. Reactionary newspaper writers, particularly in the big grain and livestock terminal cities, have hailed farm strikes as proof that nothing whatever can or should be done to help the farmers.

In the forthcoming session of Congress, individuals interested in maintaining their own profits, and in retaining without interference their right to handle farm products as they please, without regard to the welfare of society, probably will advise farmers to junk the Agricultural Adjustment Act.

The farmer will look with skepticism upon such advice from those who collect their toll, bushel by bushel, bale by bale, and pound by pound, for selling, handling, storing or freighting farm products, and who lose nothing, but get larger volume business when the farmers wreck their own markets by producing great surpluses. The farmer knows that wasted harvests benefit neither him nor the consumer, nor business in general. Why should little groups of handlers, pursuing their own selfish interests, charging the farmer more heavily than they did twenty years ago, be allowed to exercise a determining influence over legislation affecting the welfare of 30,000,000 farm people?

These reactionaries do not consider the alternative to rationalized agriculture. That alternative is the law of tooth and fang, with reliance upon starvation to force farmers out. This would mean chaos, not merely for agriculture but for the whole nation. The economic cycle would eventually restore a balance, but it is doubtful if we should have our present form of Government or our present social order when that day arrived.

I doubt if the selfish interests which are opposing the adjustment program realize the terrible consequences for everyone, themselves included, if the nation should return to this short-sighted policy.

What I have said about the Agricultural Adjustment Administration and its accomplishments during the seven months of its existence shows that its aim is to help the farmer. We shall welcome constructive suggestions as to methods of achieving our aim from those who have fought the good fight, or from others. Whatever we accomplish will be the result of single purpose and united effort.

We have a President who scorns the old familiar excuses, who shoulders responsibility instead of dodging it, and who does not tolerate inaction. We have a law which recognizes the rights of agriculture. We have a willingness to face the facts and to shape our course in accordance with the facts. We have a grim determination to keep pounding away at agricultural fundamentals, even though it takes time. We have the assistance of the ablest economists we can find. We believe that we shall have continued public support. We are resolved to break the vicious cycle which has afflicted agriculture and industry, and to restore the farmers' buying power as a part of the general recovery program.

*Author's Note.*—Since writing this article I have been appointed by the President to serve as chairman of a committee to report on foreign-trade possibilities. The article, however, expresses my views.





